

---

# Mid-term Business Plan 2019

(FY2017 ~ FY2019)

---

May 26, 2017

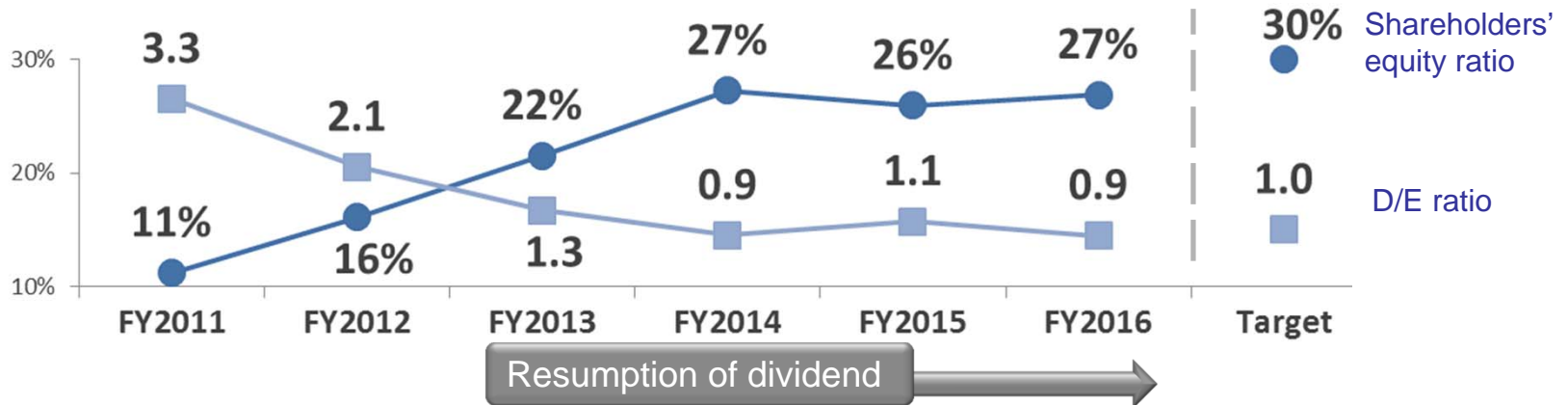
President, Representative Director  
Shinya Kamagami  
Oki Electric Industry Co., Ltd.

1. Review of Mid-term Business Plan 2016
2. Outline of Mid-term Business Plan 2019
3. Business Strategies by Segments
4. Common Measures Supporting Future Growth

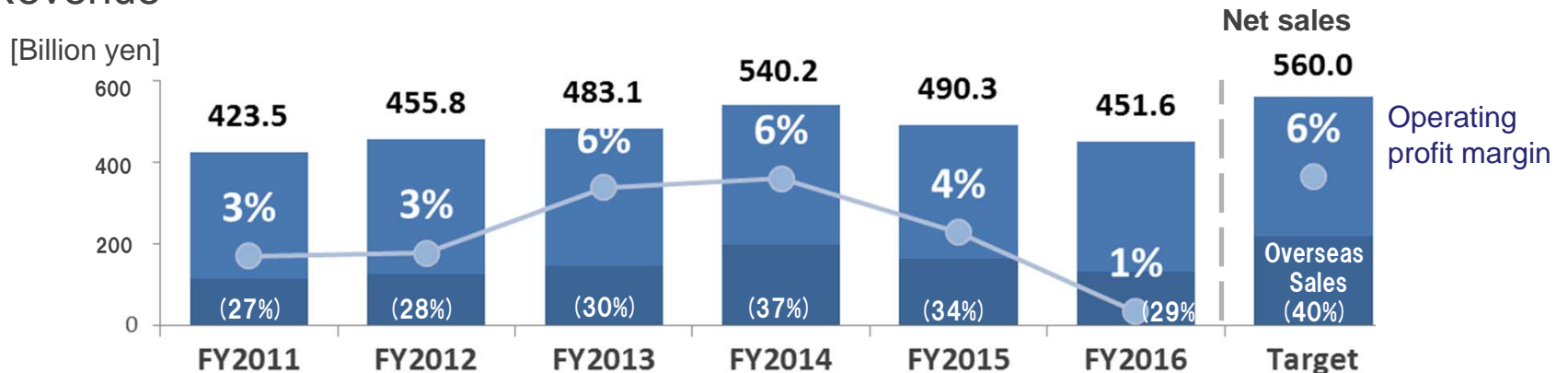
# 1.1 Business Targets <Results>

- Shareholders' equity ratio improved 5 points. D/E ratio achieved its target.
- Operating profit margin fell short of its target, though it temporary marked 6%.

## ◆ Finance



## ◆ Revenue



## 1.2 Focus Points (Business strategies)

Focus points	Results	Evaluation
<b>◆ Secure stable profitability</b>		
Acquire replacement demands for domestic infrastructure	Acquired replacement demands. Built up a business structure with a view to business peak out	<b>G</b>
Expand ATM market in China	Abrupt slowdown for its performance due to ATM partner issue and delay for demands despite of rapid growth	<b>NG</b>
Structural reforms in Printers Business	The impact of worsening currency exchange and misjudging business strategies canceled the effect of enhancing the business structure	<b>NG</b>
<b>◆ Achieve sustainable growth      1. Business expansion in global market</b>		
Develop ATM global market	Expanded sales units mainly for Asian emerging countries	<b>G</b>
Launch a subsidiary in Brazil	Low performance due to delays in responding to economic depression and changes in environment. Delay in restoring profitability	<b>NG</b>
Launch value-added printers	Failed to respond to sharp deterioration of the office printing market and harsh price competition	<b>NG</b>
<b>◆ Achieve sustainable growth      2. Support customers' asset-free management</b>		
Enforce EXaaS service	Shifted the sales policy from a strategical phase to product selling	<b>NG</b>
Cultivate new business domain in EMS Business	Cultivated medical, aviation and aerospace segment utilizing M&A	<b>G</b>
<b>◆ Achieve sustainable growth      3. Enter into next- generation social infrastructure</b>		
Leverage ICT that OKI excels in	Co-creating with our partners in the field of infrastructure inspection and medical coding is in progress	<b>G</b>

## 1.3 Review and Challenges for Next Mid-term Business Plan

Make efforts to secure stable profitability and achieve sustainable growth

### ◆ Achievement

- Improvement in financial structure
- Improvement in profitability in ICT Business
- Sustainable growth in EMS Business
- Sow the seeds for developing growth business
  - ✓ Next- generation social infrastructure
  - ✓ Mechatronics business in emerging market

### ◆ Reflection

- Lack of ability for keeping stable profitability
  - ✓ Slowness in response to changes in business environment
  - ✓ Poor strategy for overseas business
  - ✓ Earnings structure depending on a particular market



Weakness of overseas business governance

### ◆ Challenges for next mid-term business plan

1. Rebuild main businesses and 2. develop growth businesses with accelerating a review of group governance structure

1. Review of Mid-term Business Plan 2016
- 2. Outline of Mid-term Business Plan 2019**
3. Business Strategies by Segments
4. Common Measures Supporting Future Growth

## 2.1 The Positioning of Mid-term Business Plan 2019

In Mid-term Business Plan 2019, OKI puts the top priority to reinforce earning capacity to establish a base for achieving sustainable growth and evolution.  
OKI will be a company that can secure stable profitability.

“A company that can secure stable profitability”

Mid-term Business Plan 2019

[Focal issues]

“Reinforce earning capacity”

Establish a base for achieving sustainable growth and evolution

- Prompt response to business environment changes -

- Hold highly profitable businesses in a well-balanced manner
- Ability to create seeds for future growth
- Corporate strength against adversity
- Proactive and solid governance operation

Increase corporate value  
Return to stakeholders

## 2.2 Basic Policies

“Reinforce earning capacity” will be achieved by focusing on OKI’s advantages and partner strategies.

Develop growth businesses and rebuild Mechatronics and Printers business while securing solid base of profitability in ICT business

### Business strategies by segments

Business	Positions in Mid-term Business Plan 2019	Key words
ICT	Secure stable profitability Create new businesses	Next generation infrastructures, IoT
Mechatronics systems	Get back on a growth path	Emerging countries, Retail market, Strategic products
Printers	Secure stable profitability by strategic transformation	Niche market, LED, Streamlined management
EMS	The points along the way to build EMS into 100.0 B yen business	New market domains, M&A

### Common measures supporting future growth

R&D   Human resource management   Consolidate governance   Creating cash flows



## 2.3 Business Targets

### [Business Targets]

◇ Operating profit margin: 6%    ◇ Shareholders' equity ratio: 30% or more

OKI strives to improve financial structure and stably return profits to our shareholders by improving profitability with reinforcing earning capacity.

### [Targets]

	FY2016		FY2019
Net sales	451.6 B yen	Reinforce earning capacity	500.0 B yen
Operating income	2.5 B yen		30.0 B yen
Shareholders' equity	96.9 B yen		120.0 B yen
Return to shareholders	Dividend per share:50yen		Stable dividends

[Exchange rate]    USD:110 yen    EUR:115 yen

1. Review of Mid-term Business Plan 2016
2. Overview of Mid-term Business Plan 2019
- 3. Business Strategies by Segments**
4. Common Measures Supporting Future Growth

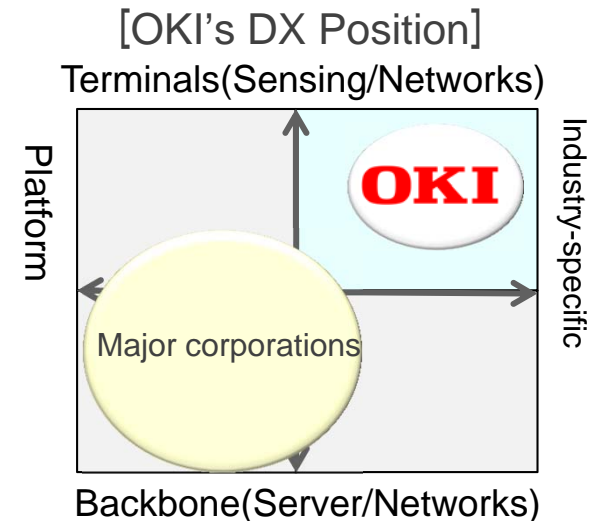
## 3.1 ICT Business

- Secure stable profitability and create new businesses in social infrastructure market
- To be a company specializing in IoT capitalizing on integrated technology

(Integrated technology : Sensing × Networks × Data processing)

- Leverage IoT as a change driver
  - ✓ Focus on next generation social infrastructure (transportation, construction, infrastructure, disaster prevention and medical care)
- Utilize integrated technologies and co-creation
  - ✓ Sensing/Networks/Data processing
  - ✓ Support customers' DX by industry-specific applications
- Initiatives supporting business creation
  - ✓ Cross-industrial alliances
  - ✓ Open innovation

( DX: Digital Transformation)



[Revenue targets]

[ Billion yen ]	FY16	FY19
Net sales	177.4	205.0
Operating income	14.4 (8%)	16.0 (8%)

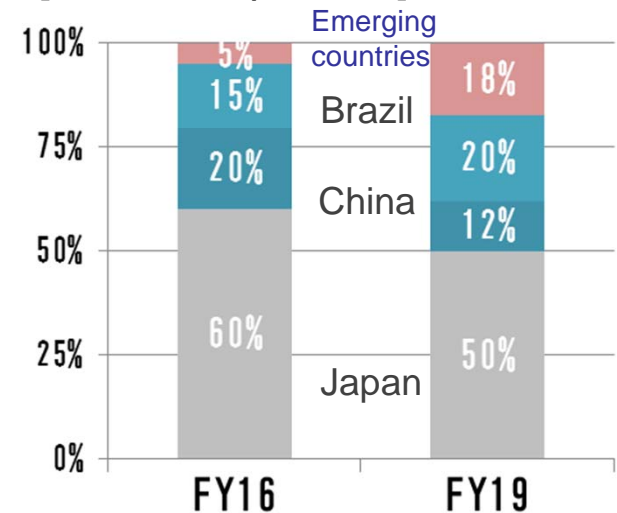
## 3.2 Mechatronics systems Business

- Grow through boosting sales of Mechatronics products as an OKI's core business
- Aim to be a world leader of R-ATM with our strength of product development ability of hardware

(R-ATM : a cash-recycling ATM)

- Expand revenue in overseas countries
  - ✓ Launch strategic products in India and South-eastern Asia market
  - ✓ Turn positive in Brazil and secure stable profitability in China
- Consolidate global business structure
  - ✓ Partnership in sales and maintenance
  - ✓ Restructure manufacturing sites to enhance cost competitiveness
- Expand market share in Japanese retail market
  - ✓ Focus on growing convenience stores
  - ✓ Boost sales of small footprint ATMs and cash handling equipment

[Sales composition]



[Revenue targets]

[Billion yen]	FY16	FY19
Net sales	100.9	120.0
Operating income	(11.8) (-)	9.0 (8%)

## 3.3 Printers Business

- Secure stable profitability by shifting to niche market strategies and streamlining cooperate functions
- To be an unique printer company by leverage LED technology

### ➤ Industry printing

- ✓ Focus on design, retail and medical market
- ✓ Launch a range of products exceling in media compatibility

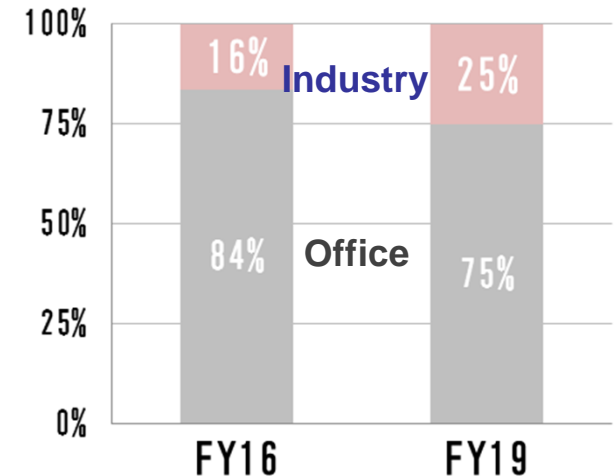
### ➤ Streamline cooperate functions in accordance with strategic transformation

- ✓ Narrow down products for offices
- ✓ Reform overseas subsidiaries/manufacturing /headquarters function

### ➤ Business leveraging LED

- ✓ Strengthen competitiveness by reducing LED costs
- ✓ Expand sales by leveraging compact size and long operating life

[Sales composition ]



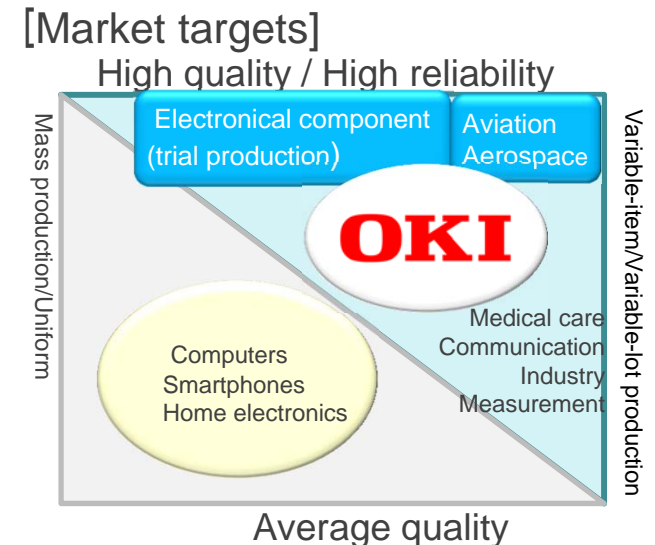
[Revenue targets]

[ Billion yen ]	FY16	FY19
Net sales	112.4	105.0
Operating income	1.0 (1%)	7.0 (7%)

## 3.4 EMS Business

- Further growth through M&A and developing new markets with responding to market trends
- Build EMS into 100.0 B yen business leveraging one-stop design and production consignment service

- Focus on Japanese high-end market
  - ✓ Cultivate the area of specialty by capitalizing on OKI brand
  - ✓ Expand aviation and aerospace areas and develop electronical component field (trial production)
- Aggressively utilize M&A
  - ✓ Acquire new customers and technologies
  - ✓ Bolster producing capability (facility/human resources)
- Further strengthen producing capability
  - ✓ Invest density mounting and quality assurance technologies
  - ✓ Expand certification acquisition across the entire group



[Revenue targets]

[Billion yen]	FY16	FY19
Net sales	43.2	60.0
Operating income	2.1 (5%)	3.5 (6%)

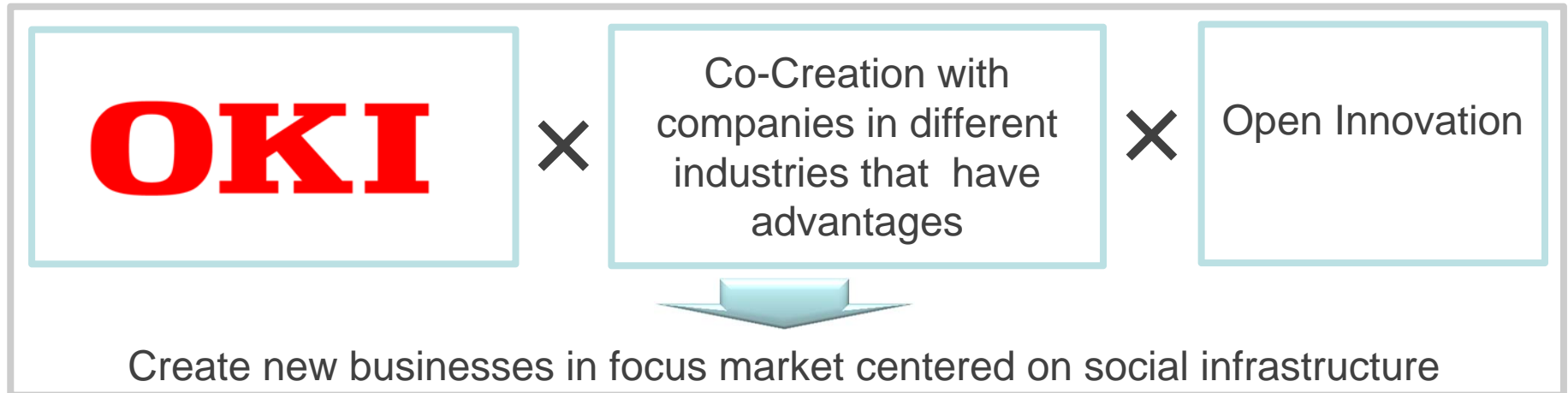
1. Review of Mid-term Business Plan 2016
2. Overview of Mid-term Business Plan 2019
3. Business Strategies by Segments
4. Common Measures Supporting Future Growth

## 4.1 R&D/New Business Creation

Create new businesses in focus market leveraging “OKI’s technology,”  
“Co-creation” and “Open Innovation”

Main research themes	Integrated core technologies	Feature vision
Smart sensing	Sensing × Networks × Data processing	<ul style="list-style-type: none"> <li>• Intelligent device</li> <li>• Make OKI products into IoT device</li> </ul>
Humane mechatronics	Mechatronics × HMI × Dialogue AI	

R&D investment 45.0 B yen (Total number of three years:FY2017-2019)



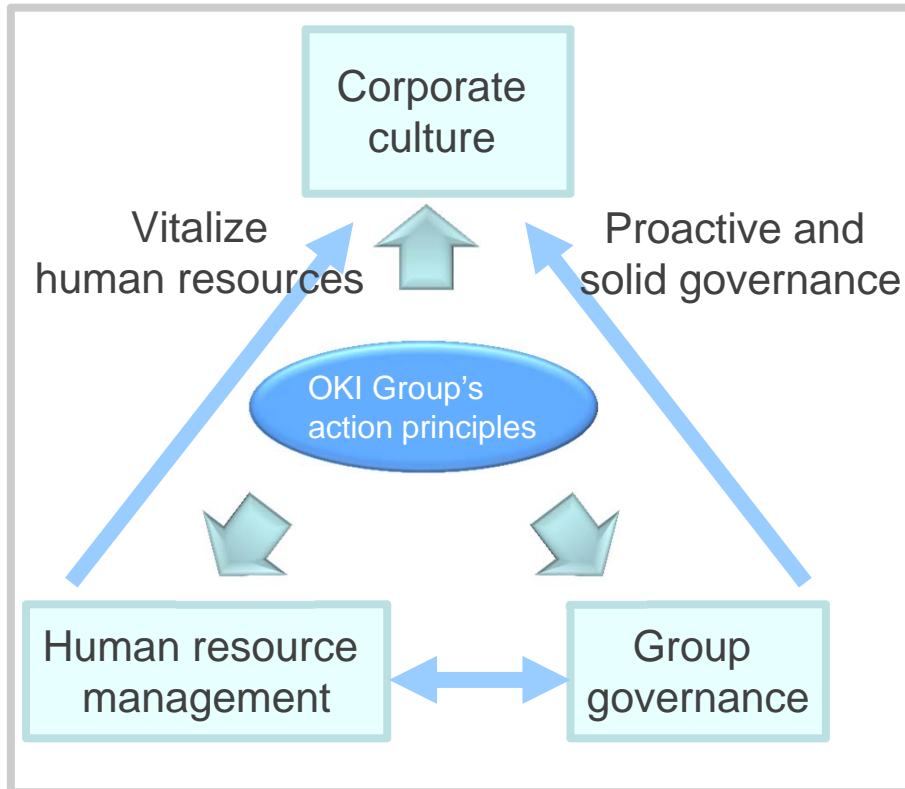
(HMI : Human Machine Interface)



## 4.2 Human Resource Management/ Consolidate Governance

- OKI will strive to establish a workplace where employees, the essential element for the company, can make the most of their abilities.
- Establish a structure that can carry out proactive and solid governance

### [Vision]



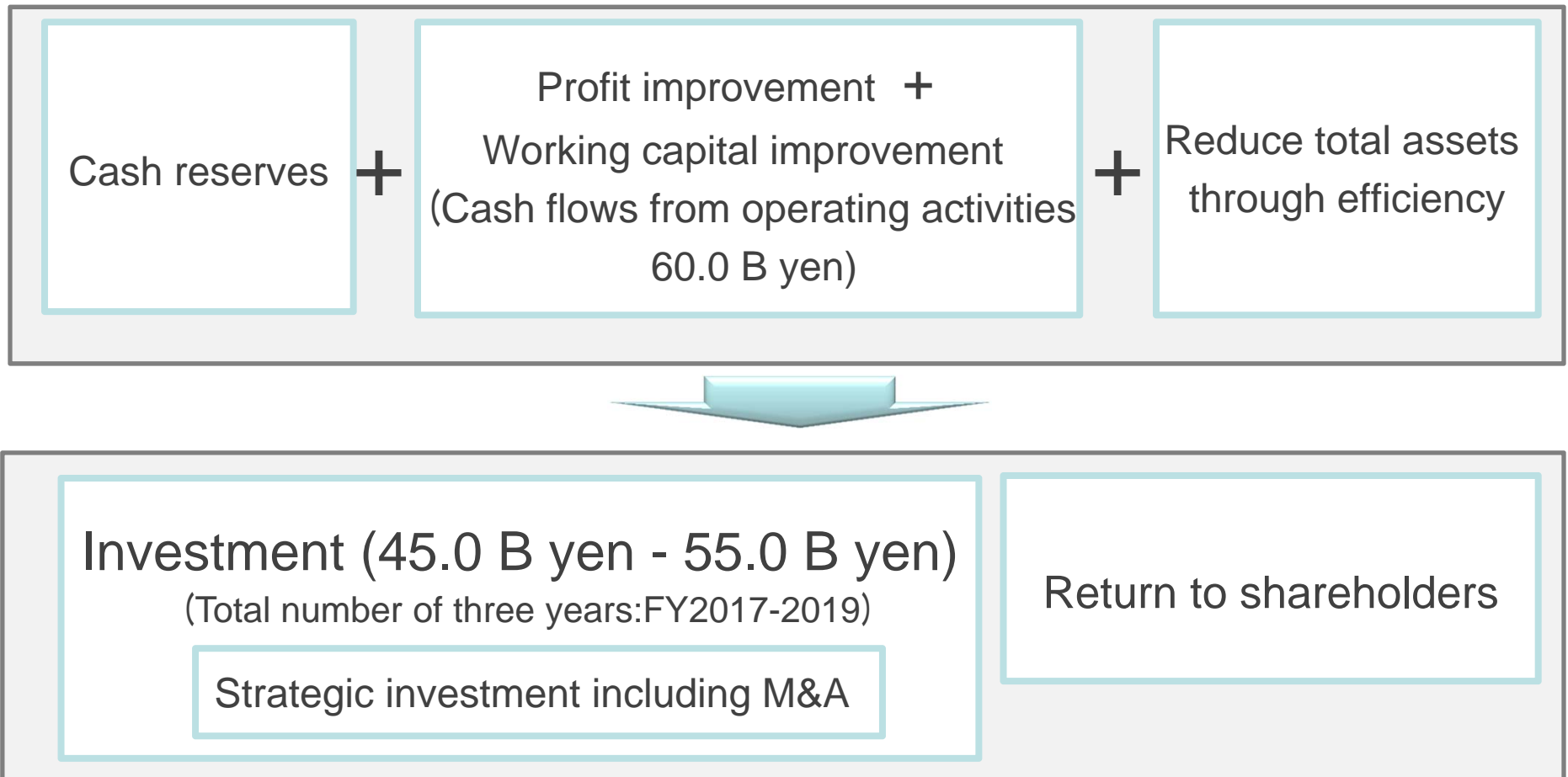
### ◆ Main initiatives

- Promote work style reforms
- Promote women's active participation
- Establish personnel evaluation system that vitalizes employees
- Review subsidiaries
- Build up system for overseas area management
- Operate dedicated organization for Internal control

OKI Group's action principles: The values to be shared with all employees across the OKI Group, including executive officers.

## 4.3 Finance and Investment Policies

- Continue to reduce total assets by improving working capital and efficiency
- Invest selectively by focusing on growth and new businesses



# Closing

~ Continuous efforts will build a brighter future ~  
Aim to celebrate 150<sup>th</sup> anniversary of foundation in 2031



➤ Accomplish OKI group vision

The OKI group helps create a safe and convenient infrastructure for customers and society as a whole through the key Japanese concepts of "Mono-zukuri" and "Koto-zukuri".

Note:

\* Mono-zukuri: to have the spirit and mind-set to innovate, create and improve products

\* Koto-zukuri: to work together, proactively seeking opportunities that deliver value to customers

➤ Mid-term Business Plan 2019

FY2017~

“Reinforce earning capacity”  
Establish a base for sustainable growth and evolution

FY2019

To be a company that can secure stable profitability  
Operating profit margin: 6%

Sustainable growth and evolution  
High profitable company

**OKI**  
*Open up your dreams*



*Open up your dreams*

## Reference: Financial Results FY2013 - FY2016

(◎:Business targets)	FY2013	FY2014	FY2015	FY2016
Net sales [Billion yen]	483.1	540.2	490.3	451.6
Overseas sales ratio	30%	37%	34%	29%
Operating income [Billion yen]	27.2	32.4	18.6	2.5
◎Operating profit margin	5.6%	6.0%	3.8%	0.6%
Shareholders' equity [Billion yen]	88.7	119.6	106.7	96.9
◎Shareholders' equity ratio	22%	27%	26%	27%
◎D/E ratio	1.3	0.9	1.1	0.9
Interest-bearing debt [Billion yen]	119.0	107.6	122.1	87.0
Dividend per share	3 yen	5 yen	5 yen	5 yen (50yen)

Note: OKI consolidated its shares on October 1, 2016.

The annual dividend per share converted on the basis of the stock consolidation is 50 yen.

## Reference: Glossary

Terms	Explanation
DX	Digital Transformation
EXaaS	The brand name of OKI's cloud service
EMS	Electronics Manufacturing Service
HMI	Human Machine Interface
ICT	Information and Communication Technology
IoT	Internet of Things
LED engine	The machinery part of printers equipped with compact size and long operating life LED
R-ATM	A cash-recycling ATM
Industry Printing	Printing market targeting industrial use such as labels, advertisement, signboard, car wrapping, traffic sign and medical image
Cash Handling Equipment	The cash management equipment such as cash recyclers in retail stores and the cash handling machines in financial institution
Small foot-print ATM	The small footprint ATMs simplified its features, that are mainly installed in convenience stores.
Dialogue AI	The technology utilizing AI allows users to have a real conversation with a machine; as if users actually talk with real human
Media compatibility	The capability of printing on a wide range of media and size





*Open up your dreams*

< Cautionary statements >

\*The forward-looking statements in this material are based on business environments as of the date of publication, therefore the actual results may differ from those forecasts due to changes in business environments.